

Policy Number: *[PLY\_Debt\_Management\_Policy\_2015]*

## Debt Management Policy

Date Approved by Council : October 13, 2015

County Commissioner:



### 1. Purpose

Sturgeon County recognizes that through strong financial leadership and planning long-term viability, the county can meet current and future infrastructure challenges. This policy aims to establish parameters for debt financing for capital projects.

### 2. Revision History

<i>Approval Date</i>	<i>Revision Number</i>	<i>Modification</i>
<i>Year/Month/Date</i>	<i>1.0</i>	<i>New Document</i>

### 3. Persons/Areas Affected

Corporate Support  
Municipal Services

Integrated Growth  
Sturgeon County Council

Commissioner's Office

### 4. Policy Statement

Sturgeon County recognizes that, when feasible, debt can be an affordable source of funding to ensure sustainability of the organization; however, excessive debt can hinder the organizations growth and flexibility to handle unforeseen challenges.

Sturgeon County will only incur new debt when it is consistent with the Business Plan direction and objectives with approval from County Council. Long-term debt will only be used to fund non-recurring items with an individual value of greater than \$100,000. Debt will not be incurred for operating purposes. Debt will only be incurred if the operating budget of Sturgeon County contains sufficient funding for debt servicing.

Sturgeon County shall adhere to an internal debt limit of 1.2 times revenue generated by the County as outlined by *Municipal Government Act* Debt Limit regulation 255/2000.

Internal rather than external borrowing will be used were possible only if an analysis of the affected funding source (ie: reserves) indicates sufficient funds are available

### 5. Definitions

*Alberta Capital Finance Authority (ACFA)* – Non-profit Corporation established under the authority of the Alberta Capital Finance Authority Act, to provide Alberta local authorities with flexible funding for capital projects.

*Debt* – Borrowing as defined under *Municipal Government Act (MGA)* section 241(a), usually in the form of a debenture, varying in debt terms.

*Debt Terms* – Period of time during which debt payments are made. At the end of the debt term, debt must be paid in full.

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*Debt Service* – Annual principal and interest amounts owing on outstanding loans made by the Municipality plus annual principal and interest amount that the municipality will be liable to pay on loans guaranteed by the Municipality.

*External Borrowing* - Borrowing from entities outside Sturgeon County as approved by the MGA.

*Lodge Accommodation* – A home for the use of senior citizens who are not capable of maintaining or do not desire to maintain their own home, including services that may be provided to them because of their circumstances.

*Long-term Borrowing* – Borrowing from third parties scheduled for repayment; generally amortized over a period of 5 or more years.

*Short-term Borrowing* – Debt obligation used to cover cash-flow timing issues, smaller capital projects, and interim or bridge financing for capital expenditures. The term of the debt is not greater than five years as defined under MGA section 257.

*Tax-Supported borrowing* – Debt incurred to be repaid, with interest, through municipal tax levies. Annual property tax rates will be sufficient to provide for the annual debt servicing requirements and the adequate repayment of the debt.

*Utilities Supported Debt* – Debt incurred for utility operations capital projects that will be repaid, together with interest, by a portion of the annual utility rates charged to utility operations customers.

## 6. Responsibilities

Council is responsible for reviewing and considering approval of proposed debt financing. Council is also to authorize a borrowing Bylaw as required.

Administration is responsible for ensuring that the proper Bylaw is in place prior to pursuing any project that is to be funded by external borrowing. A service enhancement or Request for Decision is required by administration to ensure debt is in line with the County's Strategic and Corporate Business Plans; exceptions may be granted to emergency interim funding as required.

## 7. Procedures

Council is to approve any short-term borrowing, including borrowing on Sturgeon County's line of credit and overdraft, and all long-term borrowing. Service enhancements and/or Request for Decision's must be reviewed by Council to ensure the project is in line with Sturgeon County's Strategic Plan and Corporate Business Plan.

Sturgeon County may authorize a borrowing bylaw in behalf of senior lodge accommodation foundations. All borrowing is subject to ¼% administrative charge added to the prevailing Alberta Capital Finance Authority Rate. Borrowing on behalf of not-for-profit foundations is limited to capital projects. All non-profit foundations must carry out activities within Sturgeon County and benefit the residents of Sturgeon County. Preference will be given to organizations that can link their activities to Council's Strategic Plan.

Capital projects will be approved by Council during the budget process; exceptions may be given to emergency funding.

Debt limits established by the MGA as defined in the *Municipal Government Act Debt Limit Regulation 255/2000* are as follows:

- Total debt may not exceed 1.5 times the revenue of the municipality, and
- Debt service may not exceed 0.25 times the revenue of the municipality.

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Sturgeon County's internal debt limits are as follows:

- Total debt may not exceed 1.2 times revenue generated by Sturgeon County as defined in the MGA Debt Limit Regulation 255/2000.

Sturgeon County Council, as a caution, will be informed once debt reaches 1.0 times revenue generated by Sturgeon County and will advise Council that a policy decision/change will be required when 1.2 times revenue approaches.

Debt terms on tax-supported borrowing are limited to 5 years maximum for equipment, 10 years on roads, and 15 years on bridges and utilities as outlined in the Summary of Fiscal Principles, Practices, and Policies. Debt terms will not exceed the useful life of the asset, and in no case shall debt terms exceed 25 years.

The Debt Management Policy is subject to biennial review. Amendments to the Debt Management Policy are subject to Council approval.

## 8. Cross Reference

Debt Management Procedure

*Municipal Government Act*

*Municipal Government Act Debt Limit Regulation 255/2000*

Summary of Fiscal Principles, Practices and Policies

Loans to Non-Profit Foundations – Policy ADM-LOA-1